GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3240
ANSWERED ON:18.12.2015
Loan Against gold
Sigriwal Shri Janardan Singh

Will the Minister of FINANCE be pleased to state:

a) whether the Reserve Bank of India (RBI) has instructed all the Scheduled Commercial Banks to sanction loans against the gold jewellery only upto 75 percent of the value of the gold ornament and jewellery and if so, the reasons for arriving at such a decision;
b) whether the Government has assessed the hardships caused to customers who opt to pledge gold as a last option due to this decision; and
c) if so, the corrective measures taken by the Government in this regard to mitigate the hardships of the customers?

Answer

The Minister of State in the Ministry of Finance

(a): Yes, Reserve Bank of India(RBI) vide its circular DBOD.BP.BC.No.86 /21.01.023 /2013-14 dated January 20, 2014 on 'Lending against Gold Jewellery' has issued guidelines to banks wherein as a prudential measure, RBI has prescribed banks to have a Loan to Value (LTV) Ratio of not exceeding 75 per cent for lending against Gold jewellery (including bullet repayment loans against pledge of gold jewellery) in order to safeguard the banks from the effect of the variation in the value of the gold assets.
(b) & (c): RBI's mandate is to protect the interest of the depositors who deposit their money in banks which in turn is lent by the banks as loans. The prudential norms and guidelines issued by the RBI are aimed at enabling the banks to maintain a fair economic value of their assets so that the actions taken by the banks are not detrimental to the interest of the depositors. The guidelines are in line with this mandate.

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